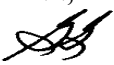





SUGAR LAND DEVELOPMENT CORPORATION

AGENDA REQUEST

AGENDA OF:	05-07-13	AGENDA REQUEST NO:	II-A
INITIATED BY:	NELDA MCGEE, EXECUTIVE SECRETARY	RESPONSIBLE DEPARTMENT:	CITY SECRETARY
PRESENTED BY:	GLENDA GUNDERMANN, CITY SECRETARY	DIRECTOR:	GLENDA GUNDERMANN, CITY SECRETARY 
		ADDITIONAL DIRECTOR (S):	N/A
SUBJECT / PROCEEDING:	SUGAR LAND DEVELOPMENT CORPORATION MEETING MARCH 05, 2013 APPROVE MINUTES MARCH 05, 2013		
EXHIBITS:	MINUTES MARCH 05, 2013		
CLEARANCES		APPROVAL	
LEGAL:	N/A	DIRECTOR ECONOMIC DEVELOPMENT:	REGINA MORALES 
RECOMMENDED ACTION			
Approve the minutes of the Sugar Land Development Corporation meeting held March 05, 2013.			
EXHIBITS			

STATE OF TEXAS §
COUNTY OF FORT BEND §
CITY OF SUGAR LAND §

**CITY OF SUGAR LAND
SUGAR LAND DEVELOPMENT CORPORATION MEETING
TUESDAY, MARCH 05, 2013**

REGULAR MEETING

The Sugar Land Development Corporation convened in regular meeting, open to the public, in the Cane Room 161 of Sugar Land City Hall on Tuesday, March 05, 2013 at 4:00 o'clock P.M. and the roll was called of the members to wit:

Donald L. Smithers, President
Amy Mitchell, Vice President
Himesh Gandhi, Director
Harish Jajoo, Director
James A. Thompson, Director
Bridget Yeung, Director
Joe Zimmerman, Director

QUORUM PRESENT

All of said members were present except Director Thompson who was absent.

Also present were:
Allen Bogard, General Manager
Mary Ann Powell, City Attorney
Regina Morales, Director of Economic Development
Jennifer Brown, Budget and Research Director
Nelda McGee, Executive Secretary and
A Number of Staff and Visitors

CONVENE MEETING

President Smithers convened the session, open to the public, to order at 4:00 o'clock P.M.

MINUTES

President Smithers introduced consideration on approval of the minutes of the Sugar Land Development Corporation meeting held on February 05, 2013.

Following a full and complete discussion, *Director Zimmerman*, seconded by *Director Gandhi*, made a motion to approve the minutes of the Sugar Land Development Corporation meeting held on February 05, 2013. The motion carried unanimously.

RESOLUTIONS

RESOLUTION NO. 2013-03-03: PROJECT FUNDING TO UPGRADE ECONOMIC DEVELOPMENT GIS WEBSITE

President Smithers introduced consideration on **SUGAR LAND DEVELOPMENT CORPORATION RESOLUTION NO. 2013-03-03**, A RESOLUTION OF THE SUGAR LAND DEVELOPMENT CORPORATION APPROVING PROJECT FUNDING TO UPGRADE THE ECONOMIC DEVELOPMENT GIS WEBSITE.

Mr. Eric Schenck, Information Technology Manager, stated the Economic Development website was developed and deployed in 2008, and that the programming language used is no longer supported. Staff proposes to redevelop the website to a more open architecture (HTML 5) that would allow continued upgrades to the GIS software. The funding resolution is for \$37,000.00, which is \$7,000.00 more than originally requested. The additional funds will provide enhanced functionality with customizable reporting features for data.

Ms. Regina Morales, Director of Economic Development, commented that with the current architecture on the GIS site, visitors have to enter a request for information, send through email, and wait for a response; the additional upgrade will allow the requestor to access the information and generate reports immediately.

Mr. Schenck demonstrated a sample site for the Directors, focusing on accessibility of information and types of reports that can be generated.

Director Gandhi asked how long the integration process would take, if it would be done in phases or override of the current system. Mr. Schenk replied that it is a rewrite, with the additional tools incorporated; the developer anticipates the process will take 4-5 weeks.

Director Yeung questioned if the upgrade was an additional tool that would be incorporated into the recently redeveloped Economic Development website. *Ms. Morales* confirmed, stating the Economic Development website houses the GIS tool. The GIS operating language is no longer supported by the Economic and Social Research Institute (ESRI) and has to be rewritten to be compatible with the current versions of ESRI. The additional tool makes the site more dynamic and functional with self-generated reports.

Director Mitchell asked if the tool would be easily accessible from the main City of Sugar Land website. *Ms. Morales* responded that the Economic Development website is currently linked to the City; discussions are ongoing with Communications relative to a more visible link provided on the homepage.

The Board discussed why the Sugar Land Development Corporation contribution (\$37,000.00) is more than the City contribution (\$25,000.00). *Mr. Schenck* explained that the second part of the project (\$25,000.00) is to upgrade My Neighborhood and interactive map sites for the City. *Ms. Morales* stated that \$37,000.00 is the bid Economic Development received to transition into the HTML 5 language and add the component; the \$25,000.00 is the bid to rewrite a different site, on the City website.

RESOLUTION NO. 2013-03-03: PROJECT FUNDING TO UPGRADE ECONOMIC DEVELOPMENT GIS WEBSITE (CONTINUED)

Following a full and complete discussion, *Director Gandhi*, seconded by *Director Mitchell*, made a motion to approve **SUGAR LAND DEVELOPMENT CORPORATION RESOLUTION NO. 2013-03-03**, A RESOLUTION OF THE SUGAR LAND DEVELOPMENT CORPORATION APPROVING PROJECT FUNDING TO UPGRADE THE ECONMOIC DEVELOPMENT GIS WEBSITE. The motion carried unanimously.

CORPORATE REPORT

President Smithers introduced consideration on Sugar Land Development Corporation Quarterly Report for quarter ended December 31, 2012.

Ms. Jennifer Brown, Director of Budget and Research, presented an overview of the Corporation financial status for quarter ending December 31, 2012:

Performance Update

Corporate finances, contracts and agreements, economic development projects, and local/national economic conditions are all performing at or above typical levels.

Monthly Financial Statement

Sugar Land Monthly Financial Statement as of December 31, 2012, includes carryovers approved in December; the beginning balance was adjusted to reflect the actual ending balance for Fiscal Year 2012. The Corporation has recognized 22.95% of revenues, which consists of \$1.35 million in sales tax and \$2,099.00 in interest income.

Total expenditures realized are \$3,365,893, representing 29.40% of budget. The majority being the land purchase, second option tract in Telfair. Other expenditures include \$97,728.00 for the Economic Development Program; approximately \$25,000.00 for incentives; \$138,000.00 reimbursement to the General Fund for Economic Development staffing; and \$3,012.00 for contractual services, banking fees and audit.

The available fund balance is \$5,227,156. Fiscal Year 2013 adjusted budget is \$1.68 million. The minimum fund balance policy is 10% of budgeted sales tax, which is approximately \$543,000.00. Approximately \$1 million is in the fund balance which could be used for projects. Fiscal Year 2013 direct incentives were budgeted at \$2 million, inclusive of carryovers and \$1.2 million for Costco.

Portfolio Summary

The Corporation Investment Portfolio is approximately \$6.2 million: 54% in cash; 14% in TexPool; and 32% in Agencies. Three securities were purchased during the quarter and \$200,000.00 was sent to TexPool. As of December 31, 2013, the investment in agencies totaled \$2 million; in TexPool, \$867,000.00; cash in the depository bank, \$3.33 million. *Ms. Brown* clarified investment agency acronyms: FHLB stands for Federal Home Loan Banks and FFCB for Federal Farm Credit Banks.

CORPORATE REPORT (CONTINUED)

The depository bank continues to pay more than the Corporation is earning in TexPool. At the end of December, TexPool was yielding .15%; the depository bank was .16%. The depository bank has historically paid more for cash in the bank, but as the rate comes down, more funds will be invested. The focus is more about preserving the safety of the Corporation funds than interest income and diversifying the portfolio.

Director Zimmerman asked for clarification on funds pledged to Sugar Land Development Corporation by Wells Fargo, book and market value. Ms. Brown stated that Wells Fargo pledges certain securities, and depending on when purchased, there can be variances between book and market values; they are priced every month. The book value is the amortized value of the security, based on when purchased.

Second Quarter Sales Tax Summary

The Second Quarter Sales Tax Summary breaks down sales tax by business sector. Approximately 64% of all collections come from the Retail Trade and Food and Entertainment sectors, which are up from last year. *Ms. Brown* stated the increases in Retail Trade (20.6%) and Food and Entertainment (14.1%) for the month of December is skewed because of the inclusion of a \$250,000.00 future period payment; the year-to-date shows the increases at 12.1% for Retail and 13.1% for Food and Entertainment, which runs higher than anticipated. The audit adjustment is responsible for the decrease in the Utilities sector; it should resolve by July 2013. Collections from the Natural Resources sector are dependent on energy (oil and gas); there are only a few tax payers in this sector, and their payments fluctuate significantly. The decrease in Natural Resources collections for December is 73.8%, but in dollars, the amount is not significant to total collections. The Percentage of Change in 12-Month Rolling Average of Selected Sectors illustrates the decline in the Utilities sector and the stability of the Food and Entertainment/Wholesale Trade/Retail Trade sectors. Sugar Land is not putting retail square footage on the ground like in the past, therefore, collections will depend more on growth within existing businesses than new business.

Ms. Regina Morales, Director of Economic Development, presented an overview of Corporation contracts and agreements and Economic Development projects:

Greater Fort Bend Economic Development Council Contract

The Greater Fort Bend Economic Development Council (GFBEDC) provides monthly financial statements as part of the service agreement with Sugar Land Development Corporation. The statements are included in the quarterly report (pages 9-11).

Sugar Land Town Square and Tax Increment Reinvestment Zone No. One

Retail occupancy for Sugar Land Town Square increased to 92% of 250,453 square feet. Office occupancy is 74% of 562,865 square feet. The lower percentage is primarily due to three floors still available in the Texas Building. Retention for existing tenants is 100%, with some expansion.

CORPORATE REPORT (CONTINUED)

Director Mitchell asked whether staff monitors the residential rate in Sugar Land Town Square. *Ms. Morales* confirmed, stating she would provide Directors with the TIRZ No. One report. All 67 residential units have been purchased and are occupied; the value on the tax rolls is significantly more than anticipated in original assumptions for the project; analysis indicates an excess of \$20 million.

MPG Operations, John Crane, and Pelican Energy Company recently signed leases in Sugar Land Town Square. Businesses recently opened in the Square include Aura Brasserie, Brilliant Sky Toys and Books, Pinot's Palette, Revolution Studio, Ruggles Green, and Sur La Table.

Sugar Land Town Square TIRZ revenue witnessed downturns in Fiscal Years 2011 and 2012, but an uptick is expected in Fiscal Year 2013. This will result in an increase of the TIRZ Assignments to Sugar Land Development Corporation and Sugar Land 4B Corporation in Fiscal Year 2013; of the \$577,325.00 budgeted, \$433,317.00 will go to SLDC.

There were significant increases in the hotel occupancy taxes for Sugar Land Marriott Town Square. The year-to-date average increase from Fiscal Year 2011 to Fiscal Year 2012 was 45%, and the first quarter of Fiscal Year 2013 experienced a 12% increase. The new owner spent approximately \$7.5 million in upgrades to the Burning Pear Restaurant, the foyer, the bar area and rooms; they will also be making a significant investment in the conference center in Fiscal Year 2013.

Lake Pointe

Lake Pointe Town Center continues to see new retailers locating within their venue and has a couple of pad sites available.

Tax Abatement Agreements (Tax Year 2012)

There are 19 active tax abatement agreements under contract for 2012. Sixteen of those were awarded; three did not meet the minimum value threshold. 1601 Gillingham LLC did not complete their improvements in the time allotted, and the agreement will be terminated. All companies are over-performing, based on their original commitment to the community. There is a breakdown of existing abatements on page 16 of the Quarterly Report; staff tracks the abatements from beginning to end, when they become a full ad valorem tax collection on the revenue side.

Strategic Projects

An overview of Economic Development strategic projects is on page 17 of the report.

Commercial Property Report

Staff tracks the Commercial Property Report on a monthly basis. During calendar year 2011-2012, office inventory increased 256,579 square feet; industrial, 251,590 square feet; and retail is 99,441 square feet. The December 2012 office vacancy rate was 13%, slightly lower than regional averages (14-16%); industrial and retail vacancy rates remain exceptionally low. Net absorption rates for office (-0.41%), industrial (0%), and retail (0.31%) include existing vacated space and new space.

CORPORATE REPORT (CONTINUED)

Average direct rental rates increased from December 2011 to December 2012, but there was a decrease in retail rental rates, which is not a typical trend; staff is reviewing the data to make sure it was reported accurately and determine the reason for the decrease. **Director Zimmerman** asked if the shift in retail to base the lease on percentage of sales, rather than price per square foot, could explain the decrease. **Ms. Morales** responded that would be factored in as the overall average; percentage of sale information does not come in until after the calendar year, so it could be one of the factors why it changed significantly from one quarter to the next.

Hotel Market

The overall Sugar Land hotel market is healthy. No new hotel rooms were added this past year, but occupancy increased an average 28% during Fiscal Year 2012. The most recent Sources Strategies publication reports increases for Fiscal Year 2012 in Sugar Land HOT taxes, occupancies, and rates, which equates to a 20.9% increase in revenues to the hotels. Staff anticipates renewed interest in the Sugar Land hotel market, based on the significant increase in occupancies.

Consumer Data

Sugar Land unemployment rates continue to run significantly lower than regional, state, and national rates.

Discussion returned to the hotel market, and **Director Mitchell** asked what accounted for the increase in hotel occupancy rates. **Ms. Morales** stated it was a combination of efforts, including the end of the recession, an uptick in businesses using the conference center, and the tourism program. Hoteliers and local attractions are now working together on a quarterly basis. Roundtable discussions prompted a first-time partnership between the Marriott and Hyatt Place for a conference; the conference center was used, but rooms and shuttle service were also provided by Hyatt Place.

Director Yeung asked if the efforts also included agreements with industries to bring people in to spend the night. **Ms. Morales** confirmed that incentive agreements with businesses that annually utilize a significant number of hotel rooms require them to use Sugar Land hotels and submit the receipts.

Ms. Morales stated that the back of the report contains noteworthy news articles.

ADJOURN

There, being no further business to come before the Corporation, **Director Mitchell**, seconded by **Director Zimmerman**, moved that the meeting adjourn. The motion carried unanimously and the meeting adjourned, time at 4:32 o'clock P.M.

Donald L. Smithers, President

(SEAL)